

# How To Grow Your Business

Practical advice on how to grow your small business from Businessware

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## In This Issue

- Bootstrapping – We look at the art of starting and building a business with nothing.
- Tips for pushing the two levers of bootstrapping, increasing cash in and reducing cash out.

In this month's issue we look at the concept of Bootstrapping, the methods and ideals of starting or growing a business with no money. We also include tips on how you can implement the principles of bootstrapping in your business (if you're not already!)

## Bootstrapping tips for increasing cash and reducing expenses.

Bootstrapping is about starting with little or nothing. Therefore the two main levers you need to push are maximising cash in and minimising cash out.

- 1) Make sales your first job. Forget everything else – as nothing else matters if you don't get this right. No sales, no company.
- 2) Selling *is* market research. You can research all of the demographics and focus groups you like. The real test is if someone is prepared to hand over their hard earned cash to you for what you have to offer. Don't hide from objections – listen carefully – it will give you vital clues as to what they do want.
- 3) Don't undersell yourself. Many people in business, especially in small businesses, lose confidence when selling and often reduce prices to cater for their own insecurities. Learn the value to your customers of what you are offering and charge accordingly. Selling too cheap means reduced margins and that could be the end of your business.
- 4) Don't under deliver. If your product or service is not right for the customer, walk away. Listen carefully and see if there is a way you can cater for their requirements in the future but do not sell what you know to be wrong for them. All you'll be left with is a dissatisfied customer who you won't be able to use as a reference.

## Bootstrap Your Business

Most small businesses start out with little or no capital. Most stay small mainly because of lack of funds. Bootstrapping attempts to reverse this trend by introducing concepts to help you build a highly successful business with almost nothing.

If you had a few million in the bank and you wanted to start up again from scratch how would you use your capital? It may surprise you to learn that many entrepreneurs in such a position choose to leave their money in the bank and start their new business with next to nothing. They choose to bootstrap their business.

They do this not because they like hard work and stress or being miserly. They do it because they feel it is the best way to build a business. Bootstrapping entrepreneurs think that having no money to start with actually gives them an advantage. In this article we will uncover why the concept of bootstrapping is becoming so widespread. Not only with businesses who have no choice but with the many start-up and small business who would normally go to the bank, use their own capital or look for outside investment for funding.

Bootstrapping is being championed by many entrepreneurs, none more so than Greg Gianforte. He started his business, RightNow Technologies, almost 10 years ago with nothing, not even a product to sell. Now the company has 500 employees and an annual turnover in excess of £35 million. He had plenty of money in the bank after selling off several previous businesses he had bootstrapped but instead of blowing a huge chunk of his capital setting up his new venture he invested nothing but his own time, hard work and resourcefulness.

The key advantages of bootstrapping is that you will lose very little, as you have given yourself nothing to lose. By investing little or nothing of your own savings and not borrowing money from anyone means if things do not work out you have lost nothing. However you do have everything to gain. Also if you borrow money, invest your savings or get outside investment funding you are inevitably going to spend that money. This is what is commonly referred to as "burn rate" – how fast you are going to burn unearned cash.

By bootstrapping your business you effectively have nothing to burn. Therefore you start out needing to make money to invest it. This forces you to start your business and start selling, instantly. You don't need to spend months preparing business plans for bank managers or venture capitalists – you start right now. As you have little or nothing to invest in expensive advertising and marketing you have to think "outside the box" in order to come up with innovative ways of getting sales. This type of thinking will stand you in good stead for the future of your business.

Bootstrap thinking says that if you claim you don't have enough money to start or grow your business then you just haven't thought it through hard

5) Look after your early customers. Customers will initially be in short supply and the same with your cash so you need your early customers to be your sales force. Until you can have enough cash for marketing you will rely on word-of-mouth for your survival. Look after them and they will look after you.

6) Get your cash quick. If possible try to position your business so you get paid immediately for your products or services rather than waiting for your money. If you must offer credit terms offer your customers discounts for early payment deals. Get as many customers as possible to agree to pay you electronically.

7) Use technology. Use internet and related technology to reduce your sales and marketing costs and reach a potentially global audience. Use low cost video conferencing for meetings and demonstrations with customers instead of spending time and money on travelling. Use internet phones (VoIP) instead of paying line rental and expensive call charges. Technology has really levelled the playing field for small businesses in recent years so take advantage.

8) Only buy if absolutely essential. Do you really need to rent an office? Does it have to be in an expensive business hotspot? Do you need full colour printed brochures or will sending it as a PDF do? Do you need a bespoke e-commerce system or will an "off-the-peg" shopping cart system work for you? If it is essential can you do without it for a time or can you buy it cheaper 2<sup>nd</sup> hand or from an auction?

9) Use bartering where possible. Bartering can be an invaluable way of getting the things you need for your business without spending valuable cash. Trading products and services with another small business or using a bartering network could be an ideal solution.

10) Keep focussed. Times will get hard, the main thing is to focus on why you started this in the first place. If you wake up one morning wondering what to do with your day - Sell! Remember job No 1.

enough.

If you want to sell a product or a service and you have no capital, the chances are you don't have anything to sell upfront. Bootstrappers see this as an advantage not a disadvantage. It means you need to find out exactly what it is your potential customers want before you waste any time or effort building your product. You go out and talk to people who may have a need for your idea. If nobody wants it then you have just saved yourself a fortune in time and money. If you had £50,000 invested in that product using the "if we build it they will come" methodology then you've just lost it all. Doing it the bootstrapper's way you know exactly what your customers want and to survive you need to be absolutely focussed on that. You could be close to the nail but just need to refine it a little – the competitive advantage this could give you from day one is incredible.

For the bootstrapper cash is king. It absolutely focuses your mind on sales and the only way to make sales is to meet the needs of your customers. You have to make sales from day one and ask potential customers for orders. You only have a business when a customer puts cash into your hand. You can have nice offices, the latest computer equipment, fancy phone systems but if it's funded by the bank or by an investor and not by sales then it's not a business. Generation of cash from business day one is where bootstrappers need to be to survive. Selling is by far the hardest part of being in business. In delaying the inevitable by spending invested cash, non-bootstrapped businesses are delaying the day when they have to pick up the phone. There is also a temptation to wait until everything is perfect. With no money to invest you can't afford to wait until everything is perfect, you have to get out there now, meet your customer's needs and make the sales. This process and learning curve will prove invaluable for future success. A good product and great sales is better than a great product and good sales. It would be sheer naivety to believe in today's world that the best product will always be the bestseller. A business with foundations in good sales and marketing will always flourish above others who put all of their energy into getting everything right first.

In terms of managing cash there are only two things a bootstrapper has to control. Maximising cash flow by focussing on sales and minimising expenditure by being very cautious about spending. Thrift is key to the survival and ongoing success of a bootstrapped business. The saying "necessity is the mother of invention" rings absolutely true when cash is scarce. There are many things people consider "essential" to run a business. However if you hammer it right down they are not essential at all. Do you really need an office when you can work from home? Do you really need a phone system with 3 lines when a PC with an internet connection using VoIP (such as Skype) will do? Do you need a state of the art laptop and a server machine when a £350 laptop will do the job or can you get it cheaper from an auction? Do you need a design consultancy for your web-site or can you get a student or a local start-up web designer? If dealing with another small "bootstrapped" business why not offer to exchange products or services rather than cash.

Perhaps one of the greatest advantages that many see in bootstrapping a business is the culture of inventiveness and creativity. By having little or no cash you are forced to move away from conventional thinking. Many in business feel that by doing the same things as their largest competitor it will bring success. This rarely works. A bootstrapper knows that by looking for another way they will always come up with an answer.

Bootstrapping also involves being realistic. You have to know your limitations in terms of your cash and your time. You can work 110 hours a week and still feel that the job isn't done. By starting small and implementing an initial offering that is "good enough" and charging less you have something to sell, build a customer base, get feedback and address customer needs. Bootstrappers think big but start small.

Our thanks go to Greg Gianforte for his advice in producing this issue of How to Grow Your Business.

## Useful Links

### Bootstrapping Books

Bootstrapping your Business – Start and grow a successful company with almost no money.

Greg Gianforte & Marcus Gibson

[www.bootstrapit.com](http://www.bootstrapit.com)

[http://www.amazon.co.uk/Bootstrapping-Your-Business-Successful-Company/dp/1593373872/sr=11-1/qid=1163594139/ref=sr\\_11\\_1/203-7025439-1363157](http://www.amazon.co.uk/Bootstrapping-Your-Business-Successful-Company/dp/1593373872/sr=11-1/qid=1163594139/ref=sr_11_1/203-7025439-1363157)

<http://www.waterstones.com/waterstonesweb/displayProductDetails.do?sku=5326529>

Light One Candle – A Handbook for Bootstrapping Entrepreneurs.

Michael Richards

[http://www.amazon.co.uk/Light-Candle-Handbook-Bootstrapping-Entrepreneurs/dp/1891594001/ref=pd\\_ecc\\_rvi\\_1/203-7025439-1363157](http://www.amazon.co.uk/Light-Candle-Handbook-Bootstrapping-Entrepreneurs/dp/1891594001/ref=pd_ecc_rvi_1/203-7025439-1363157)

Bootstrap: Lessons Learned Building a Successful Company from Scratch

Kenneth L Hess

<http://about.reuters.com/books/bookDetail.aspx?ISBN=0971187304>

<http://www.waterstones.com/waterstonesweb/displayProductDetails.do?sku=4865357>

[http://www.amazon.co.uk/Bootstrap-Lessons-Learned-Building-Successful/dp/0971187304/sr=1-1/qid=1163596920/ref=sr\\_1\\_1/203-7025439-1363157?ie=UTF8&s=books](http://www.amazon.co.uk/Bootstrap-Lessons-Learned-Building-Successful/dp/0971187304/sr=1-1/qid=1163596920/ref=sr_1_1/203-7025439-1363157?ie=UTF8&s=books)

The Bootstrap Entrepreneur - Everything You Really Need to Know About Starting Your Own Business

Steven C. Bursten

[http://www.amazon.co.uk/Bootstrap-Entrepreneur-Everything-Starting-Business/dp/0840791852/sr=1-5/qid=1163596970/ref=sr\\_1\\_5/203-7025439-1363157?ie=UTF8&s=books](http://www.amazon.co.uk/Bootstrap-Entrepreneur-Everything-Starting-Business/dp/0840791852/sr=1-5/qid=1163596970/ref=sr_1_5/203-7025439-1363157?ie=UTF8&s=books)

### Useful web-sites

[http://blog.guykawasaki.com/2006/01/the\\_art\\_of\\_boot.html](http://blog.guykawasaki.com/2006/01/the_art_of_boot.html)

<http://www.bootstrapme.com/>

### Bartering Opportunities

Bartercard

[www.bartercard.com](http://www.bartercard.com)

### Internet Conferencing

Webex

[www.webex.co.uk](http://www.webex.co.uk)

Polycom

<http://www.polycom-uk.co.uk>

GoToMeeting

<https://www.gotomeeting.com/>

